

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF SOUTH KENTUCKY RURAL)	
ELECTRIC COOPERATIVE CORPORATION FOR A)	
CERTIFICATE OF CONVENIENCE AND NECESSITY)	
TO CONSTRUCT ADDITIONAL LINES AND)	CASE NO. 89-183
FACILITIES AND TO EXECUTE ITS NOTE TO)	
NATIONAL RURAL UTILITIES COOPERATIVE)	
FINANCE CORPORATION IN THE AMOUNT OF)	
\$1,957,732)	

INTERIM ORDER

South Kentucky Rural Electric Cooperative Corporation ("South Kentucky") filed its application on June 30, 1989 for a Certificate of Public Convenience and Necessity to construct certain improvements and additions to its existing plant, and for approval to borrow \$1,957,732 from the National Rural Utilities Cooperative Finance Corporation ("CFC") and execute its note to secure such loan.

In support of its application, South Kentucky filed its 1988-1989 Work Plan, which describes in detail the improvements and additions to plant that are required over the next 2 years to serve its load. These improvements and additions are estimated to cost \$6,329,376 and will be financed by loans of \$4,430,000 from the Rural Electrification Administration ("REA") and of \$1,957,732 from CFC.

South Kentucky seeks authorization to construct extensions and additions to its plant as follows:

1.	New Consumer Line Construction	\$2,728,479
2.	Conversion and Line Changes	739,300
3.	Miscellaneous Distribution Equipment	2,665,000
4.	Other Distribution Equipment	<u>\$ 164,000</u>
	TOTAL	\$6,296,779

The system improvements recommended in this Work Plan will not duplicate existing facilities and are needed to provide adequate and dependable electric service to existing and expected customers.

In its response to the Commission's Order of August 1, 1989, South Kentucky stated that neither REA nor CFC had approved the loans. The Commission believes that final action on South Kentucky's application for authority to borrow funds would be premature until such time as the appropriate approvals from REA and CFC have been acquired. Therefore, the Commission will defer the approval of the proposed borrowing from CFC. South Kentucky shall notify the Commission when it has received the requisite loan approvals from REA and CFC, and its request for authorization to borrow from CFC will be considered at that time. At the time of notice, South Kentucky should file documentation of REA and CFC loan approvals, appropriate updates of its original application, and the current interest rates for all CFC loan programs.

The system improvements as outlined above, including Work Plan amendments, total \$6,296,779. In this application, South Kentucky indicated that it needed to borrow a total of \$6,329,000, with \$1,957,732 being borrowed from CFC. The Commission cannot authorize South Kentucky to borrow funds in excess of its

documented needs to complete the current Work Plan. The Commission has recalculated the needs of South Kentucky as documented in this record, using the borrowing mix of 70 percent from REA and 30 percent from CFC. The Commission finds that the total proposed borrowing from CFC should not exceed \$1,945,670. This amount includes \$56,670 for Capital Term Certificate purchases required by CFC. Therefore, based on the record in this proceeding, the Commission will consider authorizing South Kentucky to borrow \$1,945,670 from CFC, rather than the \$1,957,732 it requested in its application. If South Kentucky wishes the Commission to consider the approval of the original request of \$1,957,732, it should file additional information supporting these costs of its current Work Plan.

FINDINGS AND ORDERS

Based on the evidence of record, and being advised, the Commission is of the opinion and finds that:

1. Public convenience and necessity require the construction by South Kentucky of the improvements and additions to its existing plant as described in its 1988-1989 Work Plan, and that a certificate should be granted.

2. As its loans have yet to be approved by REA and CFC, good cause exists to continue, beyond the 60-day period prescribed in KRS 278.300(2), South Kentucky's application for authority to borrow funds.

IT IS THEREFORE ORDERED that:

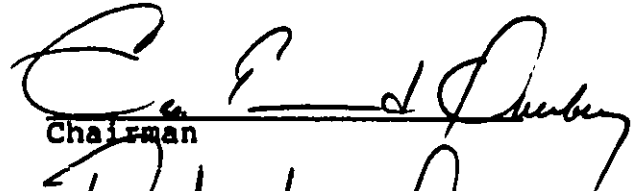
1. South Kentucky be and it hereby is granted a Certificate of Public Convenience and Necessity to proceed with the construction and additions as set forth in its 1988-1989 Work Plan.

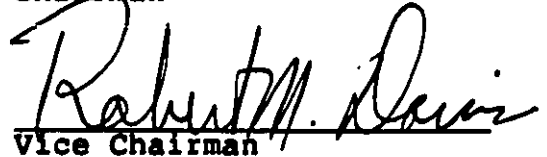
2. South Kentucky's application for authority to borrow funds from REA and CFC be and it hereby is continued until such time as REA and CFC have approved its loan applications.

3. South Kentucky shall promptly notify this Commission in writing of REA's and CFC's approval of its loan applications. With such written notice, it shall provide documentary evidence of REA and CFC approval, an explanation of the CFC program which it expects to select, and the current interest rates for all CFC loan programs.

Done at Frankfort, Kentucky, this 29th day of August, 1989.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:

Executive Director